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ALLOCATION OF REVENUES FROM CHARGES ON ELECTRIC BILLS

By: Kevin E. McCarthy, Principal Analyst

You asked how the money raised by the energy efficiency, renewable energy, and systems benefits charge (SBC) on electric bills is allocated.

SUMMARY

By law, electric company customers pay a 0.3 cent per kilowatt-hour (kwh) charge to support energy efficiency programs and a 0.1 cent per kwh charge to support renewable energy programs. They also pay the systems benefits charge (SBC) that pays to implement a wide range of public policies. The SBC varies by electric company over time. Currently, it is 0.16 cents per kwh for Connecticut Light and Power (CL&P) and 0.24 cents per kwh for United Illuminating (UI).

The efficiency charge is the primary funding source for the Connecticut Energy Efficiency Fund. The fund has a budget of $105.6 million in calendar 2012, of which the charge accounts for approximately 79% of its revenues. The companies have proposed expanding this budget, which the Department of Energy and Environmental Protection (DEEP) is considering as part of the integrated resources plan.

The renewables charge is the primary funding source for the Connecticut Clean Energy Fund, which has a budget of $36 million in FY 12. Among other things, the fund supports programs that provide incentives for residential, commercial, and industrial renewable energy incentive programs. In FY 12, about $4 million of the money in the fund came from the American Recovery and Reinvestment Act, for (1) solar

Sandra Norman-Eady, Director
Phone (860) 240-8400
FAX (860) 240-8881
http://www.cga.ct.gov/olr

Connecticut General Assembly
Office of Legislative Research

Room 5300
Legislative Office Building
Hartford, CT 06106-1591
Olr@cga.ct.gov

and thermal projects at commercial, industrial, and institutional sites and (2) residential solar thermal and geothermal projects. FY 12 is the last year of this federal funding.

The SBC will produce approximately $32.1 million for CL&P and $13.0 million for UI in 2012. The primary uses of the SBC are paying electric company costs associated with hardship customers and a program that matches payments made by customers with arrearages that further reduces the amount they owe.

ENERGY EFFICIENCY CHARGE

The total basic budget for programs in 2012 under the Energy Efficiency Fund is $105.6 million. The bulk (79%) of this funding comes from the 0.3 cents per kwh efficiency charge on electric bills. Other funding sources include revenue from demand response initiatives administered by the Independent System Operator-New England, the regional greenhouse gas initiative, and sales of class III renewable energy credits.

The expenditures are proportional to the revenues derived from each class of electric customers. About 41.2% of C&LM expenditures go to non-residential customers, while about 58.5% go to residential customers, of which 19.2% go to "income-eligible" (low-income) customers.

Table 1 describes the major efficiency programs in the 2012 electric company conservation and load management basic budget for the two electric companies, which was approved by DEEP on February 17, 2012. (Load management is shifting when electric demand occurs to off-peak periods, which reduces the costs of power for all customers.) Among the largest programs are:

1. home energy solutions (HES), which provides audits and efficiency services for residential customers, with additional services provided to income-eligible customers;

2. energy opportunities, which offers a wide range of services for commercial and industrial (C&I) customers;

3. C&I operations and maintenance programs;

4. programs aimed at small businesses; and

5. load management.

Table 1: Major Programs Supported by the Energy Efficiency Fund (2012 Budgets, in thousands)

Program	*UI*	*CL&P*
HES	$2,282	$11,757
HES Income Eligible	2,118	9,340
Residential retail products	1,756	4,850
Residential new construction	177	1,261
Energy Opportunities (C&I)	2,957	13,242
C&I operations and management	631	4,171
Small Business	2,278	11,640
Other C&I	116	485
Load Management	1,376	3,500
Education	1,891	3,117
Renewables and research and development	225	575
Administration and planning	3,333	9,992

The fund also supports conservation loan programs, the Institute for Sustainable Energy at Eastern Connecticut State University, and a small amount of research and development.

RENEWABLE ENERGY CHARGE

The Clean Energy Fund gets the bulk of its resources from the 0.1 cent per kwh charge on electric bills. It also receives funding from the Regional Greenhouse Gas Initiative (RGGI) and, until this year, under the federal American Recovery and Reinvestment Act. Total funding in FY 12 was $36 million, of which nearly $31 million was for incentives in programs promoting renewable and clean energy technologies. Table 2 describes the fund's major programs.

Table 2: Major Programs Supported by the Clean Energy Fund (FY 12 Budget)

Program	***Funding***
Competitive request for proposals (RFP) for fuel cell, solar electric, solar thermal, and wind projects	$6,830,000
Solar and thermal projects at commercial, industrial, and institutional sites (federally-funded)	2,025,000
Competitive RFP for renewable generation at affordable housing projects (RGGI funded)	2,000,000
Renewable generation for public buildings	6.750,00
Residential solar electric and thermal and small wind projects	4,000,000
Residential solar thermal and geothermal projects (federally-funded)	2,025,000
Clean energy systems awarded under the Clean Energy Communities Program	1,835,000
Green school buildings program	1,8338,00

SBC

Under CGS § 16-245*l*, the SBC is used to pay for a wide range of public policy costs, including:

1. the cost of hardship protections for low-income customers;

2. the matching payment program that help customers reduce their arrearages;

3. operating expenses for the Connecticut Energy Advisory Board;

4. payments to towns that host power plants that partially offset the reduction in their property tax revenues due to electric restructuring; and

5. unfunded storage and disposal costs for spent nuclear fuel generated before January 1, 2000, approved by the appropriate regulatory agencies.

The electric companies pay the gross earnings tax on their total earnings from power transmission and distribution. Since the SBC revenues increase these gross earnings, the SBC is "grossed up" to offset this increased tax liability.

In decisions issued in the fall of 2011, the Public Utilities Regulatory Authority estimated that the SBC would produce approximately $32.1 million for Connecticut Light and Power (CL&P) in 2012 and $13.0 million for United Illuminating (UI). It approved 2012 budgets for both companies as shown in Table 3. UI had an SBC account balance of approximately $2 million at the end of 2011; under the approved budget its SBC account will have a balance of approximately $911,000 at the end of 2012. CL&P's SBC account has a nearly $26 million credit in its spent nuclear fuel account.

As Table 3 indicates, the primary uses of the SBC are paying electric company costs associated with hardship customers and a program that matches payments made by customers with arrearages that further reduces the amount they owe.

Table 3: SBC Budgets for CL&P and UI

Expense	***CL&P (thousands)***	***UI (thousands)***
Hardship customers	32,100	7,361
Matching payment program	4,600	4,590
Connecticut Energy Advisory Board	1,173	200
Transition tax to towns	319	0
Prior spent nuclear fuel costs	3,041	0
Return on spent nuclear fuel account	(25,861)	0
Integrated resources planning process	676	495
Gross earnings tax	1,403	1,345
Total expenses	17,461	13,991
Carry forward/shortfall	2,675	(977)

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